

## CHARACTERISTICS OF VULNERABLE CONSUMERS

Consumer knowledge is the best protection against becoming a victim of deception and fraud. However, vulnerable consumers tend to have characteristics which may cause them to become targets of deceptive practices.

**Misplace Their Trust...** Vulnerable consumers do not question honesty or ethics of the marketer. For example, they may pay someone who promises to recoup losses from an earlier scam.

**Assume They Are Experts...** Vulnerable consumers do not seek information about a subject or "opportunity." They may not admit their lack of the necessary knowledge or skills.

**Do Not Use Common Sense...** Vulnerable consumers let "getting something for nothing" overtake sound reasoning. They do not question what sounds too good to be true. They accept the deal rapidly for fear they might miss the opportunity.

**Search for Good Health...** Vulnerable consumers let universal desire to be healthy overtake good judgment. They believe in false cures for a serious illness or chronic condition.

**Believe Misleading Ads...** Vulnerable consumers assume publications accept advertisements from reputable sources only. They assume information in advertisements has been verified as true.

**Seek Youth or Beauty...** Vulnerable consumers fall for appeals of promised beauty or youth. They are willing to believe what they are told.

**Feel Intimidated...** Vulnerable consumers buy a product or service out of assumed obligation to the seller. They feel threatened when they question price or quality of goods or services.

**Do Not Know or Use Their Legal Rights...** Vulnerable consumers do not seek legal counsel when needed. They often fail to report being swindled to law enforcement agencies.

## COMMON TYPES OF SCAMS

Scam artists run many different types of schemes. While they may vary, here are some basic scam formats.

**"Free Prize" Scam...** The consumer is promised a free prize in exchange for purchasing or testing the merchandise.

**Investment Scam...** The consumer is offered the opportunity to invest at a deep discount or earn an extremely high rate of return. The investment instruments frequently do not exist.

**Business Opportunity Scam...** The consumer is offered the chance to make big money working at home or buying a franchise. Promised earnings may be inflated or fictitious.

**Charity Scam...** The consumer is asked to contribute to a nonexistent charity or one in which most of the money actually goes directly to the fundraiser.

## CHARACTERISTICS OF DECEPTIVE SCHEMES

- ◆ Sellers sometimes use misleading advertising to sell products or services or solicit donations without disclosing all terms.
- ◆ Sellers make consumers think they are getting a good deal or something for "free."
- ◆ Consumers buy overpriced goods or services to qualify for their "free" gift or prize.
- ◆ Sellers use high pressure sales tactics or demand immediate action.
- ◆ Sellers promise unrealistically high returns on investments or earnings from business opportunities.

## ISSUE: SLAMMING

**Definition...** A long distance company switches a customer to its network without the customer's authorization or with misleading authorization forms. For example:

You are at a street fair and sign up for a free prize drawing. In small print on the card, you also authorize switching of your long distance carrier.

A telemarketer asks you to change to its network. After you tell the caller you do not want to change, they move you anyway.

A company changes you to their network without speaking with you or you signing any authorization form.

**Problem...** Although carriers are required to switch customers back without charge, customers have to pay the charges for calls placed on the second company's network, sometimes at much higher rates than before. In the process, consumers are inconvenienced and denied their right to choose.

**Action...** If your long-distance company was switched without your permission, you have been slammed, and that's illegal. Here's how to avoid it:

Get information in writing. Do not agree to switch companies over the phone.

Make sure that your signature on a special promotion does not also authorize switching your long distance service.

Instruct your local phone company to freeze your long-distance service to the carrier of your choice.

Ask the company that slammed you to pay any switching fees charged by your local phone company.

## ISSUE: TELEMARKETING FRAUD

### Facts to Know:

Telephone swindles are often aimed at the elderly or immigrants.

The National Fraud Information Center estimates the total cost of telemarketing fraud to consumers may be as high as \$40 billion annually.

The North American Securities Association states that consumers lose \$1 million an hour to investment scams promoted over the telephone.

Both honest and illegitimate telemarketing sellers use 800 and 900 numbers to market goods and services.

According to the National Association of Attorneys General, telemarketing swindlers defraud about 100,000 Americans every week or 10 Americans every minute.

An AT&T Consumer Rights Survey showed that about 25% of the respondents had been persuaded by potentially fraudulent telemarketing techniques. In that same survey, 18% said they had been subject of a major fraud, scam, or swindle.

The National Consumer League estimates that at least 1 million of the consumers who were defrauded in the past year did not report it to authorities.

If you call an 800 number and are then asked to call another long distance number or to receive a collect call to obtain more information, you will be charged for the second call.

Thieves, using an electrical device, can eavesdrop on your cellular phone, steal your phone number, and use it to charge calls to the account.

## AVOID BECOMING A VICTIM

- ◆ If it sounds too good to be true, it probably is.
- ◆ Do not be pressured by salespeople into buying NOW.
- ◆ Investigate before you invest.
- ◆ Try to avoid purchasing goods or services from people, companies, or organizations you do not know, whether by phone, in person, or by mail.

- ◆ Be skeptical about unsolicited phone calls, especially about investments. Say: "Sorry, I do not do business over the phone with people I do not know."
- ◆ Ask the caller to send information about the company and verify it.
- ◆ Do not pay for something that is supposedly "free."
- ◆ Do not give your telephone calling card, credit card, or bank account numbers to strangers by telephone or mail unless you initiated the order for goods or services.
- ◆ If you use a cellular phone, request a detailed billing of calls from your cellular carrier and use a Personal Identification Number (PIN).
- ◆ Before contributing to charities you are unfamiliar with, check them out with your state charities regulator, such as the Attorney General's office.

Ask for information about the company, price information, and written estimates from door-to-door salespeople before doing business with them.

If you think you've been a victim, contact your local police or Better Business Bureau, your state attorney general, the FTC, the U.S. Postal Inspection Service, or the National Fraud Information Center.

## JUST HANG UP OR SHUT THE DOOR

Hanging up is often the best action when you receive a call from anyone offering a fabulous deal over the telephone. Do not invite a door-to-door salesperson into your home if you do not want to hear a sales pitch. If you are approached by a telemarketer or door-to-door salesperson, ask yourself these questions:

- ◆ Does the seller want me to act quickly before I lose a good deal?
- ◆ Does the seller want my phone calling card, credit card, or bank account number?
- ◆ Does the seller offer to pick up my money right away?
- ◆ Does the seller promise little risk and large, short term profits?
- ◆ Does the seller want me to pay money in order to receive a free gift?

If your answer is "yes" to any of the questions, you may be dealing with a con-artist.

## To report a scam or a fraud, Contact...

National Fraud Information Center (NFIC)  
Consumer Assistance Service  
(800) 876-7060 Their Web address is <http://www.fraud.org>

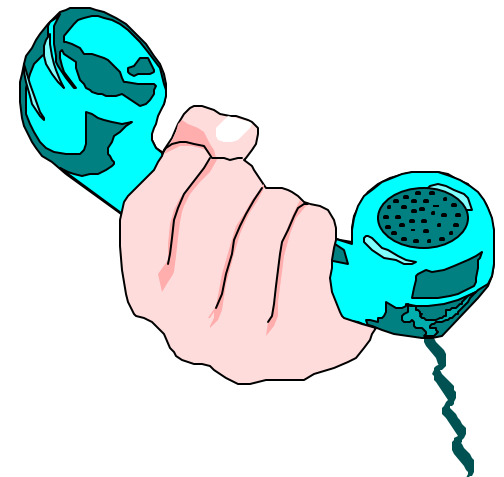
**The NFIC provides...** Accurate information on how and where to report fraud.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.

# HANG UP ON FRAUD



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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